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NSC BRIEFING

Approved For Release 2003/03/04 : CIA-RDP79R00890A000400020040-7

12 October 1954

SINO-SOVIET COMMUNIQUE OF 11 OCTOBER

- I. Joint Sino-Soviet communique, issued in Peiping 11 October, illustrates high value Moscow places on Chinese Communist alliance , and shows Soviet intention treat Peiping as "great power" able to manage own affairs with modest Soviet material aid.
- A. Communique stated explicitly Moscow and Peiping enjoy "complete unity of views" on both Sino-Soviet relations and foreign affairs -- so far as we know, this is a fact.
- II. In economic field, communique announced (i) abolition of all four Sino-Soviet joint stock companies on 1 January 1955, (ii) projected construction of two new railroad links between USSR and China and (iii) new Soviet credits to China.
- A. Despite abolition companies, Soviet influence may continue predominate in Dairen shipyard and Sinkiang mining company. Peiping is to pay for Soviet share of both these companies, as well as Sinkiang oil company and SKOGA (airline which operates three routes between Peiping and USSR).
- B. Surprising that projected Sino-Soviet rail line through Mongolia to be finished next year - this a big operation. Other line, through Sinkiang, not to be completed until 1960's.

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C. New Soviet credit is for either 520 million rubles or 920 million rubles (\$130 million or \$230 million at current official rate exchange) - Soviet and Chinese texts are not clear.

1. In either case, total monetary value of Soviet economic aid to China relatively modest -- current credit plus 1950-54 credit (\$300 million).
2. However, program includes delivery key equipment not available from other sources aid program has increased by 15 projects to total of 156.

III. Only military agreement disclosed by communique is withdrawal Soviet forces from Port Arthur naval base and turnover to Chinese of Soviet installations there by 31 May 1955.

- A. As communique observes, truces in Korea and Indochina, plus strengthening of Chinese Communist military capabilities, have reduced need for strong Soviet position in Port Arthur.
- B. Now 60,000 Soviet troops, 570 aircraft, 12 submarines, small surface craft at Port Arthur.
- C. Communique fails make clear whether Soviet naval forces are to be withdrawn from Port Arthur.
- D. Also evades question of status of nearby port, Dairen, which has probably been run largely by Soviets.

IV. Port Arthur action seems connected with recent Sino-Soviet conciliatory gestures toward Japan.

- A. In 1952, retention of Soviet troops in Port Arthur was justified by invoking threat of Japan: current communique looks instead to "normalization" of relations with Japan.
- B. However, communique does not alter Communist demand that Japan become "independent" of United States - thus does not seem to constitute new bid.

V. Communique also ties to current Sino-Soviet diplomatic maneuvers designed to embarrass United States on question of Formosa.

- A. Communique's language on Formosa is mild, does not mention "liberation" of island.
- B. In all, suggests further diplomatic maneuvers forthcoming, rather than early Soviet-supported Chinese Communist attack on Formosa.
- C. Very doubtful that Communists believe there is any chance of inducing United States actually to withdraw troops from Formosa on quid pro quo of Soviet troop withdrawal from Port Arthur.